

Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 AGR-05 AID-05 CEA-01 CIAE-00

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TO SECSTATE WASHDC 9390

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

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USMISSION OECD PARIS

USMISSION GENEVA

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SECSTATE PASS AGRICULTURE

E.O. 11652: N/A

TAGS: EAGR, IT

SUBJECT: EUROPEAN DROUGHT

REF: (A) STATE 194278

(B) ROME 12655

1. SUMMARY. DROUGHT IN ITALY WAS BROKEN IN LATE JULY WITH ONLY
LIMITED DISRUPTION OF OVERALL AGRICULTURE AND ECONOMIC SITUATION.
INHERENT DIFFERENCES BETWEEN ITALY AND NORTHERN EUROPEAN AGRICULTURAL
INTERESTS ARE SIGNIFICANT, AND UNDER MINISTER MARCORA ITALY HAS
BEEN MORE ACTIVE IN PURSUING ITS INTERESTS IN BRUSSELS. INCREASED
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COMMUNIST STRENGTH IN ITALY ALSO MAY BE NEW FACTOR IN ITALIAN-

EC RELATIONS. END SUMMARY.

2. AS REPORTED REF.(B), DROUGHT IN ITALY WAS BROKEN NEAR END OF JULY WITH ONLY LIMITED DISRUPTION TO OVERALL AGRICULTURE AND ECONOMIC SITUATION. CONSEQUENTLY, INFLUENCE OF DROUGHT WITH RESPECT TO QUESTIONS RAISED REF.(A) EXPECTED TO BE MINIMAL.

3. ITALY HAS TRADITIONALLY BEEN A STRONG AND SOMETIME NAIVE SUPPORTER OF THE COMMON MARKET. BEING A SURPLUS PRODUCER OF HORTICULTURAL CROPS AND HAVING A SIGNIFICANT DEFICIT IN ITS LIVE-STOCK-GRAINS SECTOR, ITALY OFTEN FINDS ITS INTERESTS AT ODDS WITH OTHER EC MEMBERS. IT HAS ONLY BEEN SINCE APPOINTMENT OF MARCORA AS MINISTER OF AGRICULTURE THAT ITALY'S VOICE HAS BEEN HEARD FOR BETTER BALANCE BETWEEN ITS INTERESTS AND THAT OF "RICHER NORTHERN AGRICULTURES". RECENTLY ITALY HAS BEEN ABLE TO OBTAIN PROMISES OF COMPENSATION FROM EC IN CASE OF FURTHER CONCESSIONS WHICH WEAKEN MARKET POSITION OF ITALIAN PRODUCTS. MARCORA IS ALSO STRIVING FOR AN INCREASE IN ITALIAN SELF-SUFFICIENCY IN LIVESTOCK AND DAIRY SECTOR.

4. DURING DROUGHT PERIOD, MARCORA ENCOURAGED ITALIAN FARMERS TO MAINTAIN ANIMAL NUMBERS EVEN IN FACE OF FEED SHORTAGES AND HIGHER PRODUCTION COSTS, PROMISING TO SUPPLY FARMERS FEED AT DISCOUNTED PRICES. HE ALSO WAS ABLE TO GET EC TO PROVIDE BARLEY AT INTERVENTION PRICE AND TO CONTINUE A DISCOUNT OF LEVY FOR FEED GRAINS (3 UA/MT) FOR ONE YEAR. MARCORA STRONGLY OPPOSED ANY EC SCHEME THAT WOULD ENCOURAGE SLAUGHTERING OF DAIRY ANIMALS, ARGUING THAT BECAUSE IT IS LARGE NET IMPORTER OF MILK AND DAIRY PRODUCTS, ITALY ALREADY IS CONTRIBUTING TO SOLUTION OF EC DAIRY SURPLUS.

5. INCREASE IN STRENGTH AND POLITICAL INFLUENCE OF COMMUNIST PARTY (PCI) AS RESULT OF JUNE PARLIAMENTARY ELECTION AND AFTERMATH (INCLUDING ELECTION OF PCI MEMBER TO HEAD SENATE AGRICULTURE COMMISSION) MAY OVER TIME AFFECT ITALY'S AGRICULTURAL POLICIES. IN PAST PCI HAS PAID RELATIVELY LITTLE ATTENTION TO DOMESTIC AND TRADE POLICIES AFFECTING AGRICULTURE, BUT RATHER HAS CONCENTRATED ON BUILDING POLITICAL BASE THROUGH THE COOPERATIVE MOVEMENT, WHICH IT LARGELY CONTROLS. NOW, HOWEVER, INCREASINGLY IMPORTANT ROLE OF AGRICULTURE IN BALANCE OF PAYMENTS AND INFLATION LIMITED OFFICIAL USE

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APPEARS TO HAVE INCREASED PCI INTEREST IN AGRICULTURAL POLICY FIELD. PCI HAS CRITICIZED CAP FOR ARTIFICIALLY RAISING PRICES (IT GENERAL PREFERS DEFICIENCY PAYMENTS SYSTEM) AND HAS PROPOSED SOME LIMITATION ON AGRICULTURAL IMPORTS.

6. EC'S MEDITERRANEAN POLICY TROUBLES ALL ITALIAN POLITICAL PARTIES. EXPERIENCE HAS SHOWN THAT ANY OPENING OF EC MARKET TO MEDITERRANEAN AND OTHER DEVELOPING COUNTRIES ADVERSELY AFFECTS

ITALIAN AGRICULTURE. WHILE ITALY AGREES IN PRINCIPLE WITH EC'S
MEDITERRANEAN POLICY, IN RECENT YEARS IT HAS ASKED FOR AND
APPARENTLY BEEN PROMISED COMPENSATION RIGHTS FOR ANY FUTURE
CONCESSIONS IN THIS SECTOR.VOLPE

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